

UNITED STATES OF AMERICA
CONSUMER PRODUCT SAFETY COMMISSION

In the Matter of)	
)	
HOOVER COMPANY, Inc.)	CPSC Docket No.
)	
a corporation)	
)	

SETTLEMENT AGREEMENT AND ORDER

1. This Settlement Agreement is made by and between the staff (the “staff”) of the U.S. Consumer Product Safety Commission (the “Commission”) and Hoover Company, Inc. (“Hoover”), a corporation, in accordance with 16 C.F.R. § 1118.20 of the Commission’s Procedures for Investigations, Inspections and Inquiries under the Consumer Product Safety Act (“CPSA”). This Settlement Agreement and the incorporated attached Order resolve the staff’s allegations set forth below.

THE PARTIES

2. The Commission is an independent federal regulatory agency responsible for the enforcement of the CPSA, 15 U.S.C. §§ 2051-2084.

3. Hoover is a corporation organized and existing under the laws of the State of Delaware, with its principal corporate office located in North Canton, Ohio. At all times relevant herein, Hoover designed and manufactured vacuum cleaners subject to this Settlement Agreement and Order.

STAFF ALLEGATIONS

4. Between May 1998 and November 1999, Hoover manufactured approximately 636,000 Self-Propelled Wind Tunnel Upright vacuum cleaners under the following model numbers: U6423-900; U6445-900; U6425-900; U6445-960; U6451-900; U6425-950; U6449-900; and U6455-900, (hereinafter “vacuum cleaners”).

5. The vacuum cleaners are “consumer product(s)” and, at the times relevant herein, Hoover was a “manufacturer” of “consumer product(s)” which were “distributed in commerce” as those terms are defined in 3(a)(1), (4), (11), and (12) of the CPSA, 15 U.S.C. §§ 2052(a)(1),(4),(11) and (12).

6. The vacuum cleaners are defective because of a poor crimp connection at the wire termination which could cause overheating, melting and ultimately, fire in the switch/handle area. The vacuum cleaners could catch fire while in use and switched to the “ON” position and while switched to “OFF” if plugged in to an outlet.

7. On or about April 14, 1999, Hoover first learned of a vacuum cleaner switch overheating and melting.

8. Between October and November 1999, after receiving notice of at least four incidents, Hoover made several design changes to eliminate overheating in the switch area. Hoover also directed that all vacuum cleaners in inventory and any brought in by customers for repair for any reason be reworked in order to eliminate the switch overheating problem.

9. On February 26, 2001, Hoover's Safety Committee met and reviewed the vacuum cleaner incidents. At this time, Hoover had received notice of at least 46 incidents with the vacuum cleaners, 23 of which were allegations that the switch/handle area caught on fire. At least two reports indicated that the vacuum cleaner ignited while switched to the "OFF" position and consumers believed the vacuum cleaners to be off. The Safety Committee, however, decided that no report should be made to the Commission.

10. On June 11, 2002, the Safety Committee met again to review 80 new incidents involving the switch defect. By this time, Hoover had received notice of at least 127 incidents. In 73 of these incidents, consumers reported that the vacuum cleaners caught on fire.

11. On or about September 24, 2002, Hoover hired an outside consulting firm to examine and test the vacuum cleaners to determine the cause of the switch failures.

12. On March 12, 2003, the consulting firm issued a report confirming that a poor crimp connection caused the switch to melt and malfunction. By this time, Hoover had received notice of 171 incidents pertaining to switch overheating and/or melting. In 96 of these incidents, consumers reported that their vacuum cleaners caught on fire.

13. On June 7, 2004, after receiving notice of several vacuum cleaner incidents, Commission staff sent Hoover a letter requesting submission of a full report pursuant to section 15(b) of the CPSA.

14. On July 9, 2004, Hoover submitted a report in response to the staff's request. At the time of its report, Hoover had received notice of at least 260 consumer incidents, of which 141 involved reports of fire. Other than one report of minor burns to hands, there were no reported consumer injuries.

15. Although Hoover had obtained sufficient information which could reasonably support the conclusion that the vacuum cleaners contained a defect which could create a substantial product hazard, or created an unreasonable risk of serious injury or death, it failed to immediately inform the Commission of such defect or risk as required by sections 15(b)(2) and (3) of the CPSA, 15 U.S.C. § 2064(b)(2) and (3). In failing to do so, Hoover "knowingly" violated section 19(a)(4) of the CPSA, 15 U.S.C. § 2068(a)(4), as the term "knowingly" is defined in section 20(d) of the CPSA, 15 U.S.C. § 2069(d).

16. Pursuant to section 20 of the CPSA, 15 U.S.C. § 2069, Hoover is subject to civil penalties for its failure to make a timely report under section 15(b) of the CPSA, 15 U.S.C. §2064(b).

RESPONSE OF HOOVER

17. Hoover denies that the vacuum cleaners contain a defect which could create a substantial product hazard, or create a substantial risk of serious injury or death, and denies that it violated the reporting requirements of section 15(b) of the CPSA, 15 U.S.C. § 2064(b).

AGREEMENT OF THE PARTIES

18. The Commission has jurisdiction over this matter and over Hoover under the CPSA, 15 U.S.C. §§ 2051-2084.

19. In settlement of the staff's allegations, Hoover agrees to pay a civil penalty of seven hundred fifty thousand dollars (\$750,000.00) within twenty (20) calendar days of service of the Final Order of the Commission accepting this Settlement Agreement. This payment shall be made by check payable to the order of the United States Treasury.

20. The parties enter this Settlement Agreement for settlement purposes only. The Settlement Agreement does not constitute an admission by Hoover or a determination by the Commission that Hoover violated the CPSA's reporting requirements.

21. Upon provisional acceptance of this Settlement Agreement and Order by the Commission, the Commission shall place this Agreement and Order on the public record and shall publish it in the *Federal Register* in accordance with the procedure set forth in 16 C.F.R. § 1118.20(e). If the Commission does not receive any written requests not to accept the Settlement Agreement and Order within 15 calendar days, the Agreement and Order shall be deemed finally accepted on the 16th calendar day after the date it is published in the *Federal Register*, in accordance with 16 C.F.R. § 1118.20(f).

22. Upon final acceptance of this Settlement Agreement by the Commission and issuance of the Final Order, Hoover knowingly, voluntarily and

completely waives any rights it may have in this matter to the following: (i) an administrative or judicial hearing; (ii) judicial review or other challenge or contest of the Commission's actions; (iii) a determination by the Commission as to whether Hoover failed to comply with the CPSA and the underlying regulations; (iv) a statement of findings of fact and conclusions of law; and (v) any claims under the Equal Access to Justice Act.

23. The Commission may publicize the terms of the Settlement Agreement and Order.

24. The Settlement Agreement shall apply to, and be binding upon Hoover and each of its successors and assigns, its parent entity, its parent's subsidiaries, and each of their respective successors and assigns.

25. The Commission's Order in this matter is issued under the provisions of the CPSA, 15 U.S.C. §§ 2051-2084, and a violation of the Order may subject those referenced in paragraph 24 above to appropriate legal action.

26. This Settlement Agreement may be used in interpreting the Order. Agreements, understandings, representations, or interpretations made outside of this Settlement Agreement and Order may not be used to vary or to contradict its terms.

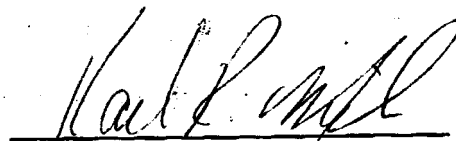
27. This Settlement Agreement and Order shall not be waived, changed, amended, modified, or otherwise altered, without written agreement thereto executed by the party against whom such amendment, modification, alteration, or waiver is sought to be enforced, and approval by the Commission.

28. If, after the effective date hereof, any provision of this Settlement

Agreement and Order is held to be illegal, invalid, or unenforceable under present or future laws effective during the terms of the Settlement Agreement and Order, such provision shall be fully severable. The rest of the Settlement Agreement and Order shall remain in full effect, unless the Commission and Hoover determine that severing the provision materially changes the purpose of the Settlement Agreement and Order.

Date: Jan. 2, 2007

HOOVER CORPORATION



Karl R. Milam
Chief Executive Officer

Date: January 4, 2007

U.S. Consumer Product Safety Commission

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